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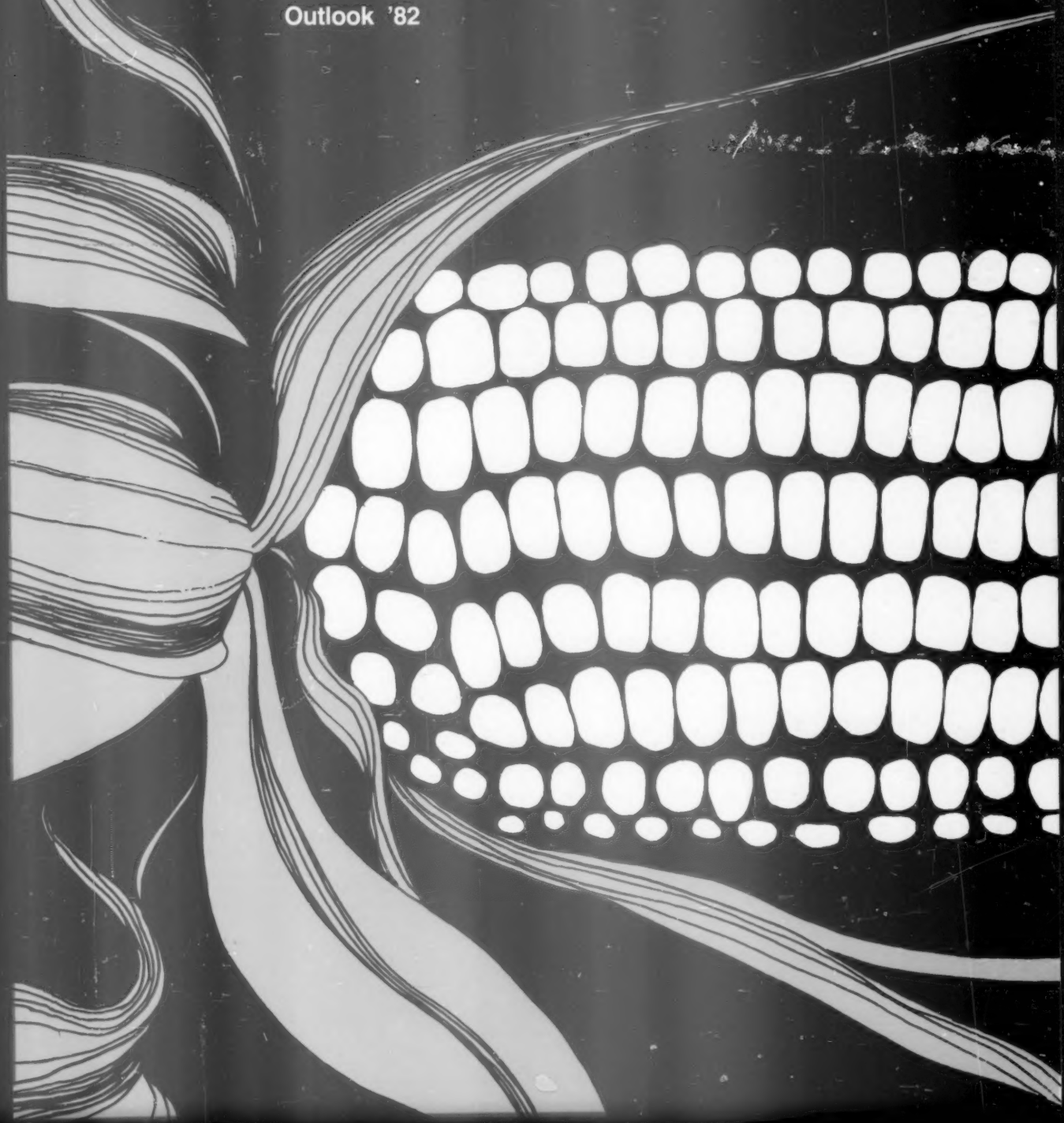

Trade Briefs

U.S. May Protest EC Sugar Subsidies

U.S. trade officials are investigating the European Community's subsidized sugar exports, which are allegedly injuring the U.S. sugar industry. The U.S. Trade Representative's Office has accepted a petition filed by Great Western Sugar Co. in August charging that EC sugar subsidies violate the General Agreement on Tariffs and Trade and part of the U.S. trade law of 1974.

Egypt Seeking Long-Term Contracts for Imported Beef

Even with the various government programs to expand livestock and poultry production, Egypt is increasingly relying on imports to supply the domestic market with livestock and poultry products. For example, Egypt imported 30 percent more beef in 1980 than in 1979.

The government is trying to secure a supply of imported beef through long-term contracts—preferably government-to-government contracts—with exporting countries. Two contracts already have been signed with the meat boards of Argentina and Australia. The government also has contracted to import 40,000 head of cattle ready for slaughter from Ireland.

Portugal: Government Liberalizes Raw Sugar Imports

In keeping with a policy designed to liberalize agricultural trade prior to acceding to the European Community in January 1984, the Portuguese government recently announced measures that will permit Portuguese refiners to import raw sugar directly. Imports of raw sugar traditionally have been the government's exclusive responsibility.

The government's Ministry of Trade will still set yearly limits on the amount of raw sugar that private refiners may import and will publish regularly the maximum price, c.i.f. basis, at which raw sugar may be imported. No refinery may contract to import raw sugar at a price above the established price. The government also requires that these imports come from countries with which the EC already has preferential trade arrangements, or from those countries which offer good possibilities for the establishment of a close trade relationship that would last beyond Portugal's EC accession.

U.K. Imports of U.S. Cotton Should Pick Up From Depressed 1980/81 Level

The United Kingdom's imports of U.S. cotton—which plummeted 72 percent to below 5,000 metric tons (23,000 bales) during the 1980/81 marketing year—are expected to recover somewhat in 1981/82 due to the large U.S. 1981 cotton crop and competitive prices. However, the U.K. textile industry is still not out of its doldrums, and dealers and spinners continue to purchase only to cover their most immediate needs.

The United States remained a major supplier of raw cotton to the U.K. Despite the sharp falloff in U.S. shipments, the U.S. share of total U.K. imports showed only a modest decline of 4 percent. Imports of African and South American cotton continued large, thanks to a price advantage in the U.K. market. The market share of Soviet cotton fell to 12 percent, down from 19 percent the previous year.

Canada Plans Improvements Along St. Lawrence River

The Quebec government is preparing a major plan for a multibillion-dollar development of the St. Lawrence River. The plan, which would involve upgrading all port facilities and improving freight handling, will be developed in cooperation with Canada's federal government, Ontario, and the Great Lake States. It is still in the initial planning stages, and no timetable or budget has been approved. The project would affect every one of the 12 St. Lawrence ports in Quebec.

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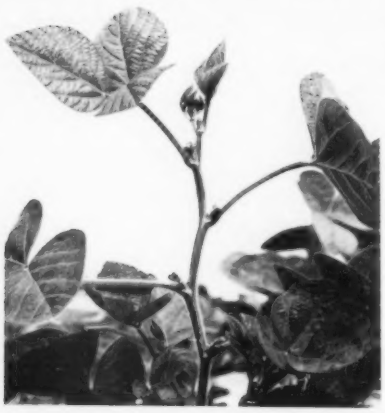
Projected Growth in U.S. Farm Exports Depends on Many Variables



By Leo V. Mayer

U.S. agricultural exports in fiscal 1982 are projected to increase by about 10 percent in volume, as record crops of corn and wheat and a near-record crop of soybeans have more than assured abundant U.S. supplies. As a result, last fiscal year's decline in export volume is expected to be reversed.

Putting numbers on this appraisal, U.S. agricultural exports for fiscal 1982 are forecast at about 180 million tons, valued at close to $45.5 billion. The agricultural trade surplus is expected to increase marginally to $28 billion.

Some value gain is seen in all commodities, except oilseeds and products, which are projected to be unchanged despite an expected increase in soybean exports. Major increases are expected for wheat and feed grain exports. Cotton exports also are forecast to increase substantially after 1981's decline.

One of the bright lights in the U.S. agricultural trade picture is exports of livestock and livestock products. This group of items is projected to be a leader in higher export earnings.

Among other items, an increase is projected in U.S. exports of fruits, nuts, and

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vegetables. Tobacco shipments also should be up in both volume and value. A decline is expected in sugar exports from the abnormally high fiscal 1981 level.

Economic Influences on Sales

Overall, U.S. export gains in fiscal 1982 must be achieved under increasingly restrictive world market conditions and stiffer competition from other suppliers. In addition, some of the same factors which dampened sales expectations in fiscal 1981 persist in 1982.

High interest rates, which last year discouraged developing countries from buying larger volumes of goods, including agricultural commodities, still prevail in fiscal 1982.

Also, the dramatically stronger dollar is making U.S. goods more expensive for foreign buyers. It is hard to pinpoint the net effect of exchange rate movements on U.S. exports. However, it is significant that U.S. farm exports in fiscal 1981 were moving as targeted until the dollar's rapid rise during the spring and summer of 1981.

Meeting the Market Challenge

To meet the challenge, the United States has launched an intensified effort to expand new markets, maintain old markets, and effectively meet the competition.

The first major step in improving the U.S. market position was taken April 24, 1981, when President Reagan lifted the partial embargo on agricultural sales to the Soviet Union. This opened the way for a return to more normal trade in a market that has taken as much as 15 million tons of U.S. grain and nearly 2 million tons of U.S. soybeans in past years.

Subsequently, the long-term grain agreement with the Soviets was extended for 1 year, with the United States offering the Soviets 15 million tons of corn and wheat beyond the 8-million-ton maximum specified in the agreement.

If the Soviet Union, faced with its third straight year of poor harvests, should buy at the maximum level, it would mean purchases of 23 million tons of U.S. grains valued at well over $3 billion. However, the Soviets have long-term commitments to buy from other suppliers—commitments negotiated during the U.S. embargo—and their import capability is not unlimited.

Export Teams Visit Key Markets

To meet the competition head-on, USDA has sent government-industry grain and soybean oil market development teams—which included producer members—into countries with strong import growth potential in Latin America, North Africa, and the Far East.

These teams generally reported excellent success in the host countries. They received a positive reaction from foreign leaders to this demonstration of cooperative action by the U.S. Government, producers, and exports. They brought back recommendations on what can be done in each market to sell more U.S. grain and soybean products.

Trade Missions to Europe and Far East

To augment these market development efforts, Secretary Block has led two overseas missions since he became Secretary.

The first was to the European Community (EC), primarily to make clear to Community officials and its member countries the U.S. opposition to the increasing use of export subsidies by the European Community and its proposals to further restrict access to the EC market for U.S. agricultural products.

The EC Commission subsequently set aside its proposal for an internal vegetable oils and fats tax that would have damaged a $4 billion market for U.S. soybeans and products.

However, there is still concern in the United States over EC sentiment for ending the duty-free status of nongrain feed ingredients (mainly corn gluten feeds)—a $600 million item for U.S. agriculture. In addition, U.S. policymakers are also disturbed by EC proposals for a common export policy. Such a policy would expand the use of export subsidies and other trade distorting and restricting mechanisms to cope with the surpluses generated by the Common Agricultural Policy.

Protected by variable import levies and stimulated to produce all out by high support prices, EC farmers have turned the European Community into a surplus producer of nearly all agricultural products except soybeans. As a result, the European Community has undertaken surplus disposal efforts which threaten U.S. markets in third countries. These surplus disposal policies—which require heavy export subsidies—are hurting U.S. export sales.

These internal policies have also hurt U.S. exports to the European Community. In fiscal 1981, U.S. agricultural exports to the Community, its oldest market and traditionally its largest regional market, declined by 8 percent to $8.8 billion, while shipments to all other markets went up in value by nearly 13 percent.

The second mission by Secretary Block was to Japan, South Korea, and China. These three markets combined have far surpassed the European Community as a market for U.S. agriculture, taking $10.9 billion worth of U.S. farm products in fiscal 1981.

Japan has been U.S. agriculture's top single-country market for years—with imports of U.S. farm products last fiscal year of $6.7 billion. Around 85 percent of U.S. shipments to Japan have been bulk commodities; Japan is consistently at or near the top as a market for U.S. wheat, corn, soybeans, and cotton. Even so, Japanese restraints on imports impede further growth, an issue USDA is taking up with the Japanese in 1982.

Fastest Growth Occurring in Developed, Centrally Planned Markets

China and Korea, each with agricultural imports from the United States totaling $2.1 billion last fiscal year, are indicative of trends in export markets. Nearly 50 percent of all U.S. agricultural exports in fiscal 1981 went to these developing and nonmarket countries, compared with 38 percent just 4 years ago.

Five-year average growth rates for U.S. agricultural exports are over 30 percent to Eastern Europe, 30 to 35 percent to Mexico and Venezuela in Latin America, and 30 to 40 percent to Egypt, Nigeria, and Saudi Arabia in Africa and the Middle East.

Overall, a slowdown is seen in U.S. export growth to these centrally planned and developing markets in fiscal 1982. Likely constraints on trade growth are: the improved supply situation in some countries, particularly in Latin America; shortages of foreign exchange as a result of energy costs; the high costs of credit; and the uncertain financial situation in Poland, our largest customer in Eastern Europe.

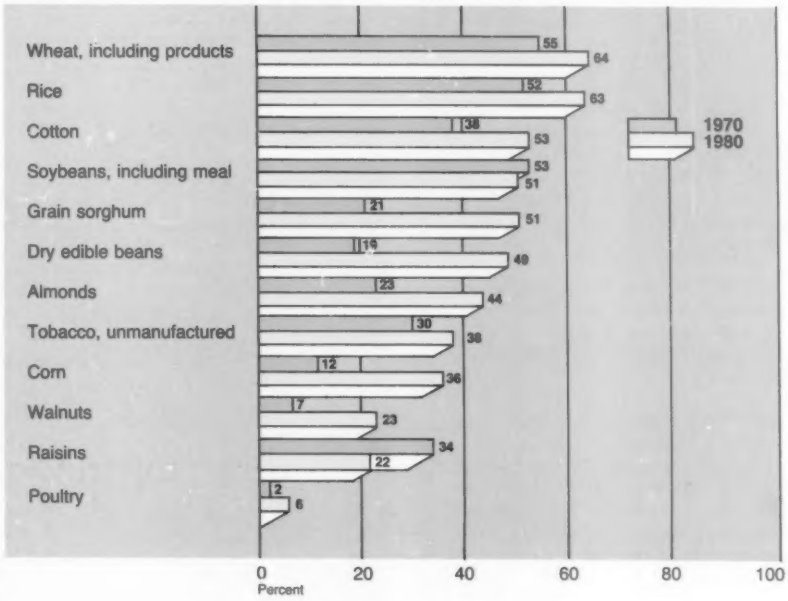
Economic Variables Crucial In Overall Growth

Given the uncertainties outlined above, it seems clear that the export forecast for fiscal 1982 should be studded with asterisks beyond the usual caveats of weather and the other problems related to crop production.

What will happen to interest rates, the exchange position of the dollar, and the direction of a sluggish world economy? To what degree will USDA's intensive export drive succeed, and can the trend toward trade restriction and distortion be stopped?

The answers to these and other questions await the coming months. More than ever, the course of U.S. agricultural export trade will depend on our ability to maintain and expand foreign markets as well as on worldwide supply and demand considerations. ■

U.S. Exports as Percentage of Production for Selected Commodities



U.S. Agricultural Exports Grow Sharply To Developing and Centrally Planned Countries

Area	1969-71 average		1979-81 average	
	Value	Share	Value	Share
	Bil. Dol.	Percent	Bil. Dol.	Percent
Developed	4.4	64	20.1	52
EC-9	2.0	29	8.4	22
Japan	1.0	14	5.9	15
Other	1.4	20	5.8	15
Developing	2.3	33	13.4	35
Oil exporting	.3	4	2.6	7
Non-oil exporting	2.0	29	10.8	28
Centrally Planned	.2	3	5.2	13
USSR	—	—	1.7	4
China	—	—	1.6	4
Eastern Europe	.2	3	1.9	5
Total[1]	6.9	100	38.7	100

[1]May not add due to rounding.

U.S. Farm Exports Set Record in Fiscal 1981 For 11th Straight Year

U.S. agricultural exports in fiscal 1981 (Oct.-Sept.) rose to $43.8 billion—up 8 percent in value from the 1980 level, and established a new record high for the eleventh consecutive year. The increase resulted from higher average unit prices for U.S. commodities, as volume was down 1 percent.

Exports

Much of the 6.1-million-ton increase in U.S. wheat exports, which totaled 42.2 million tons worth $7.7 billion, stemmed from production shortfalls in key markets. For example, China's imports of 7.7 million tons of U.S. wheat in fiscal 1981 can, in part, be attributed to a 9-million-ton reduction in domestic wheat and coarse grain production. This shortfall, combined with domestic policies designed to both raise rural living standards and promote production of cash crops, tended to generate an overall increase in China's import demand for wheat.

U.S. wheat exports to the Soviet Union totaled 3.7 million tons in fiscal 1981, more than 1½ times the volume purchased during the preceding year. Exports increased in response to the lifting of the trade suspension as well as to a second straight poor harvest in the Soviet Union. Finally, Iran and India—historically major markets for U.S. wheat—resumed their purchases, taking a total of 1.4 million tons.

Total U.S. feed grain exports of 69 million tons ($10.4 billion) in fiscal 1981 consisted of 59.4 million tons of corn, 7.7 million tons of sorghum, and 1.9 million tons of barley and oats. Japan led all purchasers by importing 12.6 million tons of corn—up 12 percent from fiscal 1980. The Soviet Union was the second largest U.S. corn market, taking 4.9 million tons—down 7 percent; and Mexico ranked third with 3.8 million tons—down 1 percent. However, Mexico imported 2.6 million tons of grain sorghum, up 17 percent from the year before, thus ranking second to Japan in total imports of U.S. feed grains.

U.S. corn exports to China decreased by more than 1 million tons in fiscal 1981,

and a decline of 1.3 million tons was recorded in the European Community (EC-10), with the exception of Belgium-Luxembourg, which took an additional 450,000 tons. Feed grain substitutes, such as domestically grown wheat—and to a lesser extent barley, have increasingly replaced corn in major EC compounders. The reduced U.S. export levels also derived from the fact that EC livestock inventories have shown little growth and real income is down substantially.

U.S. exports of pulses in fiscal 1981 jumped by 77 percent in volume and more than doubled in value, mostly because of the drought-stricken 1979 Mexican crop. Large contracts were made with U.S. suppliers for 1980 and 1981 crops, which maintained the relatively large export flow of dry edible beans to Mexico.

U.S. exports of cotton in fiscal 1981 declined 39 percent in volume as a result of short supplies, a slowdown in world mill use, and poor economic performance in major markets. A sharp reduction in shipments to China occurred because that country's domestic production increased by more than 20 percent.

The value of all U.S. exports of dairy, livestock, and poultry products was up 9 percent from the previous fiscal year. All product categories showed increases, but dairy products showed the largest gain at 56 percent. Exports of poultry products increased 40 percent in value and 23 percent in volume, primarily as a result of increased shipments of frozen broilers to the Middle East and Japan.

U.S. soybean exports to the EC during fiscal 1981 were down 19 percent in volume. Sales to the Netherlands, the leading U.S. soybean market, amounted to 4.1 million tons, down 31 percent from the preceding year, while West Germany and Belgium-Luxembourg increased their imports of U.S. soybeans by 30 and 22 percent, respectively. Japan, the second most important U.S. market, purchased 3.8 million tons, down 1 percent from the fiscal 1980 level.

In addition, the U.S. soybean supply was down 21 percent from the preceding year's supply, and larger output in Brazil and Argentina permitted those countries to become more competitive in 1980/81 and achieve a 700,000-ton larger share of the world market.

The strength of the U.S. dollar hampered U.S. soybean and soybean meal exports to the EC-10 because EC soybean and soybean meal imports are not protected by a variable levy. In addition, total meal consumption fell in the EC 10 because meal prices were higher relative to those of other feed components. Finally, reduced crushing margins coupled with increased EC imports of soybean meal from other sources, primarily Brazil, combined to dampen U.S. soybean meal exports to the EC.

U.S. exports of soybeans to China during fiscal year 1981 fell from 810,000 tons to about 500,000 tons. The decline derived, in part, from China's 14-percent growth in oilseed production to 20.9 million tons, and 25-percent growth in oilseed meal output to 7.5 million tons.

Imports

Total U.S. agricultural imports for fiscal 1981 were valued at $17.2 billion, largely unchanged from last year's 17.3-billion-dollar-total. This, coupled with the rise in export value, led to an increase in the year's agricultural trade surplus, up 14 percent to $26.6 billion.

The leveling off in U.S. agricultural imports in fiscal 1981 was due mainly to decreases in major U.S. import items such as coffee, cocoa, coconut oil, rubber, beef, and cattle. Together, these commodities account for over 40 percent of total U.S. agricultural imports. Decreases in outlays for these products compensated for increases in most other agricultural imports. ■

International Marketing Issues In the 1980's

By Alan Tracy

Over the past 10 years, agricultural exports have become the primary growth factor in U.S. agriculture. The U.S. farmer and farm programs are geared to exports. Overall, more than one-third of the agricultural cropland in the United States is producing for overseas markets and one-fourth of U.S. agricultural marketings move into world trade.

Marketing Challenges in the 1980's

But even as the importance of exports has grown in the agricultural economy, so too have the international marketing challenges.

The strengthening of the U.S. dollar is making U.S. exports increasingly expensive for overseas customers and weakening our competitive position vis-a-vis other exporters. For example, the relative price of U.S. wheat on world markets has risen in the past year because of the strong dollar, while the price of French wheat has declined because of the weakened franc.

Second, the costs of credit are making it harder for U.S. producers to compete. For example, the costs of Commodity Credit Corporation (CCC) export guarantee loans are often higher than the costs of certain loans available to producers in the European Community. Some EC loans have interest rates as low as 8 percent over a 2-year term, compared with 17 to 20 percent under a GSM-102 line of credit.

Third, the threat of increased protectionism is always present, as U.S. trading partners and competitors seek to shift the burden of adjusting to changing world economic conditions. The United States is especially concerned by specific EC practices that interfere with free markets and those in Japan that attempt to restrict U.S. access to potentially profitable markets.

And fourth, major producers in South America, Europe, and other areas are giving U.S. exporters more intense competition, most notably as an aftermath of the disastrous U.S. embargo on grain sales to the Soviet Union.

Mr. Tracy is General Sales Manager and Associate Administrator, FAS.

Market Opportunities

To meet these challenges and go beyond its current success in agricultural exporting, the United States must intensify its sales efforts beyond its traditional markets in Western Europe and Japan. Specifically, the developing countries and the planned-economies of the socialist world, which already account for almost half of total U.S. exports, offer the most promising export outlets in the 1980's.

With a population of about a billion people, the long-range potential of the Chinese market is tremendous. Even small shifts in per capita use of such commodities as wheat and feed grains suggest tremendous payoffs for market development work.

The OPEC nations also offer U.S. exporters excellent potential markets, as their economic growth and rising consumer incomes have sparked increased demand for more and better food products. For example, meat consumption in the OPEC countries of the Middle East and North Africa has been increasing at an average annual rate of more than 14 percent, while poultry consumption during the 1970's increased annually by as much as 20 percent.

The food import needs of North Africa and the Middle East will likely continue to rise, based on the tight resource constraints on production in the region, explosive birth rates, and growing affluence. Most of these nations have some oil income and, hence, the ability to buy.

Recent growth in U.S. exports to Eastern Europe has also been substantial. Although crop production in Eastern Europe has expanded substantially during the past decade, the gains have not kept pace with the growing livestock industry, and the gap between domestic production and demand for feed grains has widened. This gap will probably continue to widen in the 1980's.

Market Development Initiatives

USDA has undertaken a number of new initiatives aimed at market development in these market areas. One seeks to expand sales of U.S. processed and semiprocessed agricultural products. This effort focuses primarily on developing countries with high per capita incomes, namely the OPEC countries and a few others. These nations have the foreign exchange to pay for processed agricultural commodities and generally lack the facilities to process farm products domestically.

Another strategy for boosting sales has been the launching of an intensive campaign to expand grain and oilseed exports in nations identified by USDA market analysts as having excellent growth potential.

Government-industry teams of U.S. grain and oilseed specialists have already visited 12 nations—China, Brazil, Chile, Venezuela, Algeria, Morocco, India, Pakistan, Bangladesh, Nigeria, Egypt, and Turkey—to see what can be done to beat the competition with better trade servicing, improved credit programs, and precise marketing plans to move specific amounts of grain in 1981/82 and subsequent marketing years.

The team visits thus far have already produced an increase in the credit guarantees authorized for wheat sales to Brazil, a P.L. 480 agreement for wheat sales to Morocco, and plans for a pilot noodle plant and a pilot flour mill in China.

Improving Market Access

The third export challenge for U.S. agriculture in the 1980's will be to improve access for U.S. agricultural products in world markets. There is pressure within many countries, including the United States, to attempt to solve domestic problems by restricting or distorting trade. Export subsidies, particularly by the European Community, have begun to interfere with the free flow of trade.

As part of the effort to maintain and expand access to foreign markets, USDA is working to establish an early warning system to alert all concerned parties to restrictionist actions abroad. In addition, USDA plans a study of nontariff barriers related to health, the environment, and other considerations.

The department also has taken the lead in a special governmentwide effort to review trade policies that are objectionable to U.S. exporters, devise strategies to deal with them, and reestablish the image of U.S. strength in trade policy. ■

Feed Grains: Sluggish Demand Means Stepped-Up Competition

By James P. Rudbeck and Paul J. Meyers

U.S. feed grain exporters are facing highly competitive export markets this season in face of record or near-record production in other exporting countries. While increased imports are anticipated by the USSR and several West European countries, import demand is sluggish elsewhere.

The ultimate level of Soviet imports, the global balance between feed grain and wheat purchases, eventual export availabilities of feed grains from Southern Hemisphere suppliers, and the timing of purchases are the major uncertainties as the 1981/82 season progresses.

With uncertain economic conditions affecting the demand for livestock products, current expectations are for a leveling off or a slight decline in total world imports. Fluctuating exchange rates, high interest rates, and prospects for continuing favorable prices to buyers may be causing many countries to purchase grains on a hand-to-mouth basis.

Global Supplies Increasing

Global production is expected to expand nearly 6 percent to a record 766 million metric tons in 1981/82, according to USDA forecasts in mid-November. At this level, production would exceed world utilization by about 18 million tons. A slight gain is seen in feed grain use, in contrast to the past year when global use remained virtually flat.

Feed grain production in the major foreign exporting countries—Canada, Australia, Argentina, South Africa, and Thailand—is at record or near-record levels for the second consecutive year, and the increased exports by these countries may about match the increase in world trade during 1981/82 (July-June). The realization of these trade expectations, however, hinges heavily on the outcome of the Southern Hemisphere harvests in early 1982 and the absence of shipping difficulties.

World stocks at the end of 1981/82 are anticipated to rise more than they declined last season. Most of the increased stocks are expected to occur in the United States, but stock levels in other exporting countries are expected to expand slightly.

Feed Grain Trade To Hit All-Time High

World trade in feed grains—on the expected strength of expanded imports by the Soviet Union and by several countries in Western Europe—is forecast to expand 6 percent to a record 110 million tons during 1981/82 (July-June). Overall Soviet grain imports are projected at a record 43 million tons, up from 35 million in 1980/81. Elsewhere, however, trade prospects are not encouraging and competition will be keener than in recent years.

U.S. feed grain exports in the 1981/82 marketing year (Oct.-Sept.) are projected at 72 million tons, up 2 million tons from 1980/81, and 1 million higher than the previous record set in the 1979/80 marketing year. Corn exports are expected to rise more than 1 million tons with the balance of the increase in sorghum and barley. Large supplies and low prices for U.S. barley could result in record exports this season.

Import Prospects for 1981/82

Poor crops in the Soviet Union and Western Europe have increased their import requirements. The USSR may purchase about half of its estimated record imports of 24 million tons of feed grains from the United States. In 1980/81, the USSR bought 18 million tons of feed grains, including 5 million from the United States.

Taiwan and South Korea will likely import more grain for expanding poultry and livestock industries. On the other hand, prospects of larger crops in Eastern Europe, Mexico, and Brazil may reduce their imports.

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Imports by Western Europe could also be higher than the 1980/81 level of 21 million tons due to crop shortfalls in Spain and Portugal. However, feed utilization is not expected to change much from the year earlier. In the European Community (EC), livestock output growth is expected to be slow; larger quantities of lower quality wheat are available for feeding, and economic incentives encourage domestic wheat feeding over feeding of imported corn.

Overall East European livestock production is expected to be stagnant at best during 1981/82. Expected increases in livestock output in the German Democratic Republic, Hungary, and Yugoslavia will be offset by declines in most of the other East European countries.

A somewhat better-than-average feed grain crop and improved roughage supplies are expected to help hold 1981/82 feed grain imports to below the 1980/81 level of 11 million tons—particularly given the tight foreign exchange situation in several of these countries.

Japanese feed grain imports have been relatively stable over the past 3 years at approximately 19 million tons. Japan's mixed feed output in 1980/81 actually declined 3 percent, although livestock numbers increased somewhat. Livestock producers have been using less compound feed to feed more animals, and broiler producers have been trying to cut back production in order to keep prices up.

High prices for compound feeds have encouraged Japanese producers to use more of the inexpensive byproducts from the food processing industry and other substitute feeds. The Japanese Government, which has large stocks of surplus rice, has begun to move some of this rice into the mixed feed industry. Plans are to feed an average of 200,000 to 250,000 tons of rice each year through 1984. In the short run, demand is expected to continue to grow slowly.

Feed grain import demand in Taiwan and South Korea has been somewhat erratic in recent years following several years of rapid growth. In Taiwan, production of pork and eggs is expected to rebound this year, increasing the demand for imported feed grains. In South Korea, import demand is also expected to edge up as the livestock and poultry industries recover from the difficulties of the past 2 years. These two countries could import around 6.5 million tons in 1981/82.

Elsewhere, Mexico—which recently emerged as a large importer of feed grains—is expecting bumper crops this year. As a result, Mexico is expected to scale back imports to less than 5 million tons from almost 8 million last year.

Brazil, which has been an importer over the past several years, will try not to import corn this season because of balance of payments difficulties. Production is being given strong incentives through support prices and a recent supply agreement signed with the USSR.

Imports by Egypt are expected to rise again this year to support a developing poultry industry, and both Morocco and Algeria, which had poor 1981 crops, should increase their import levels. Venezuela is also seeking record imports due to crop difficulties and a firm feed demand. China, which was a large importer of corn several years ago, has scaled down its imports in favor of increased wheat purchases. ■

A Look at Feed Grains

Feed grains account for nearly half of the world's annual output of grain, including rice. For the United States, feed grains include corn, sorghum, barley, oats, and rye. For foreign countries, these same grains are included plus millet and mixed grains. Corn production accounts for about half of worldwide feed grain production, barley for about one quarter, sorghum one-tenth, and oats, rye, and mixed grains, the balance.

Within the United States, about 85 percent of domestic usage is for livestock feeding, while in foreign countries the proportion is somewhat lower, around 55 percent.

However, it is livestock feeding, resulting from a desire by people around the world to upgrade their diets, that has been the motor driving world trade in feed grains.

While world wheat trade grew by an annual rate of about 7 percent in the 1970's, feed grain trade expanded at an annual rate of roughly 12 percent.

During the decade, U.S. wheat exports doubled from 20 million to around 40 million tons, and the U.S. share of world trade expanded from 36 to 43 percent.

But for feed grains, U.S. exports nearly quadrupled from 19 million tons to about 70 million tons, and the U.S. share of world trade went from 41 to around 70 percent. One reason for the U.S. dominance in the world feed grain picture is the ability of the United States to produce and efficiently transport corn. Corn, which makes up about half of world feed grain production, accounts for close to 80 percent of world feed grain trade, and the United States provides roughly three-quarters of the trade flow. ■

Food Grains: Gains for U.S. Wheat, Lower Sales for Rice

By John D. Dunmore

The world's food grain situation for 1981/82 is characterized by a projected record production that outstrips demand, and rising stock levels. U.S. wheat exports should reach record heights, but U.S. rice exports will decline in the face of good harvests in most of the rice importing and exporting countries.

Despite a projected reduction for wheat use in foreign countries, the world's wheat trade in 1981/82 (July-June) is expected to gain more than 10 percent to about 103 million metric tons, according to USDA estimates in mid-November.

This growth in world trade is largely the result of the pattern of production changes for 1981/82. The major importing countries, especially the USSR, Eastern Europe, Brazil, and Spain, are having particularly poor harvests, while the major exporting countries are having what amounts to a record production levels.

Tight Food Grain Situation Last Year Sets Stage for This Year's Gains

The world food grain situation tightened further in 1980/81. Production increased from the 1979/80 level but remained below world requirements, and ending stocks declined to their lowest level—as a percentage of total utilization—since the mid-1970's.

On a global basis, however, weather was relatively good in 1981 and world food grain production is now estimated at a record 857 million tons,up 2.8 percent from the late 1980 level.

The increase, over half of which was in the United States, will be more than enough to meet the growing world food grain needs in 1981/82 and allow for a slight buildup in ending stocks.

Mr. Dunmore is Acting Chief, World Analysis Branch, Economics Research Service.

U.S. Accounts for Most of Global Wheat Production Gains

As of mid-November, world wheat production in 1981/82 was running above trend and was forecast to reach a new high of 448 million tons—only 2 million tons larger than the previous 1978/79 record but 2 percent—or 10 million tons—about the 1980/81 level.

Much of the production increase will come in the United States, while foreign production will not quite reach last year's level. The overall net production increase of 18 million tons in the major wheat exporting countries more than offset the production declines in the major importing countries, largest of which is the USSR. Other major production falloffs are forecast for Eastern Europe, Brazil, and Spain.

In summary, major exporters are expected to increase wheat production by 11 percent from 1980/81, while the major importing countries will see a net decline in production of almost 6 percent.

Total wheat utilization in 1981/82 is estimated at 447 million tons, up 3 million tons from the level for the last 2 years. The expected increase in wheat utilization in the United States (the result of increased feed use) will more than offset the declines in the rest of the world.

Most of the increase in the world's wheat trade is expected to result from the larger requirements of the developing countries, which account for about two-thirds of the world's imports. In the Far East, India may import as much as 4 million tons, largely to maintain supplies for the public distribution system. Despite India's improved wheat harvest, the government procurement of wheat is below target.
China is also expected to remain a larger buyer in 1981/82, with imports forecast at 14.0 million tons, slightly more than in 1980/81.

In the Near East, imports are forecast to expand behind the continued rise in the requirements of Egypt, Iran, and a number of petroleum-producing countries in the region. Imports into the African region will be highlighted by larger requirements in Morocco following a prolonged drought there.

Latin American imports are also forecast to be larger, mainly due to the increased requirements of Brazil, where the wheat crop is expected to be smaller.

Smaller harvests in Europe will cause increased imports on the part of Spain and Portugal in Western Europe and by Poland and Romania in Eastern Europe. Imports by the USSR will be at a record level this year and are forecast at 18.0 million tons as of mid-November.

Larger exports are expected on the part of most major foreign exporters, with the exception of a falloff in the European Community (EC) and Argentina for 1981/82. However, most of the additional wheat import requirements are expected to be met by United States.

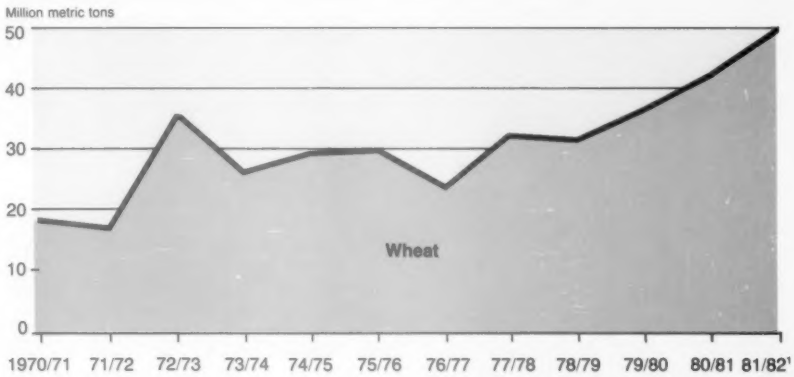
U.S. Wheat Exports Headed for New High

U.S. wheat exports in 1981/82 should hit a record of more than 50 million tons, nearly one-fourth larger than the previous year. The bottom line is that the United States should capture virtually all of the expected growth in the world's wheat trade.

U.S. wheat exports are expected to benefit substantially from expanded Soviet imports and the return of India to the world market for the first time since 1977/78. Other positive factors are likely to be large imports by Turkey, normally a wheat exporter; larger imports in North Africa, which experienced crop difficulties; and growing imports by a number of developing countries, including Egypt, Brazil, and South Korea.

Wheat, along with feed grains and soybeans, will continue to provide more than two-thirds of U.S. agricultural export earnings.

U.S. Exports of Wheat Register Rapid Growth



¹Forecast.

Global Rice Production to Gain, U.S. Exports May Decrease

World rice production for 1981/82 is forecast at a record 409 million tons on a rough basis (or 275 million tons, milled), up 3.5 percent from 1980/81. This increased production reflects an overall improvement in global yields and a record harvested area. The United States is expected to harvest a record rice crop of 8 million tons—up more than one-fourth from the 1980/81 level.

Because of sluggish import demand in major rice markets, U.S. rice exports in 1981/82 are projected at 2.6 million tons, compared with 3 million tons worth $1.5 billion in 1980/81.

Rice consumption worldwide is projected to gain about 2.7 percent in 1981/82, allowing for an increased per capita consumption level. However, the increased consumption is smaller than production gains; thus, ending stocks are expected to build to 25 million tons—about 9 percent of world consumption requirements.

A sizable stock buildup in the United States will more than offset stock drawdowns in Japan and India, which together account for about 40 percent of world rice stocks. Japan has begun to use rice as feed in a policy move designed to reduce high stock levels.

Despite the increase in world rice requirements, world trade is expected to decline in 1982. The pattern of production increases is almost the reverse of wheat—output in the major importing countries being substantially greater than the production gains in the major exporting countries.

With the major importers better able to meet requirements from domestic production, world import demand for rice is likely to fall to 12 million tons in 1982 from the record 13 million for calendar 1981.

The record trade level of 1981 was the result of sharply increased Korean imports because of a poor 1980/81 rice harvest. Korean imports in 1982 are expected to drop to 500,000 tons, or less than one-fourth the 1981 level. As a major world market, as well as the leading U.S. market, the reduced Korean imports will have a sizable impact on world and U.S. rice exports, especially California rice.

It is interesting that, as a result of the larger Korean crop, a shift is likely in the rank of world rice importers in 1982. Indonesia will regain its position as the world's No. 1 rice importer; Korea will fall to third or fourth. The second position will be taken by a country not widely known as a major rice purchaser—the Soviet Union. ■

Oilseeds and Products: Across-the-Board Increases Seen for U.S. Exports

Trade Outlook at a Glance

With a recovery in U.S.—and world—oilseed production in 1981/82, the United States will account for most of the expected increase in world soybean exports. Last season, exports of soybean meal shifted in favor of Brazil, but a reverse trend toward U.S. meal could occur in 1981/82. Although exports of U.S. soybean oil slipped last season, shipments of other vegetable oils rose sharply. The 1981/82 outlook for U.S. soybean oil also calls for an increase in exports.

Major U.S. Markets, 1980/81

Soybeans:	
The Netherlands	$1.25 bil.
Japan	$1.22 bil.
W. Germany	$519 mil.
Spain	$445 mil.
Soybean meal:	
The Netherlands	$373 mil.
Italy	$174 mil.
W. Germany	$168 mil.
Romania	$119 mil.
Soybean oil:	
Pakistan	$68 mil.
India	$48 mil.
Colombia	$33 mil.

Best Bets for Increases, 1981/82

Soybeans:
USSR, the Netherlands, Japan, West Germany, France

Soybean meal:
The Netherlands, Italy, West Germany, USSR

Soybean oil:
India, Pakistan, Venezuela, Colombia

By Philip L. Mackie

An almost across-the-board increase in exports of U.S. oilseeds and oilseed products is forecast in 1981/82, but with lower prices the value of U.S. exports may only equal that of 1980/81. Demand is weak, and the increase in exports—and in world consumption—will have to be bought with lower prices.

The balance between supply and demand comes together in the relationship of stocks and prices. Essentially, what has happened is that large world supplies of oilseeds (going back to the extremely large crops of 1979/80) have backed up in the form of soybean oil and soybean stocks—largely in the United States.

Stocks of soybeans and soybean oil increased sharply in 1979/80, and oil stocks rose again in 1980/81. Despite lower prices and higher world consumption, another increase in stocks of both soybeans and soybean oil is seen for 1981/82.

Large stocks of soybean oil limited crushings in 1980/81 and will do so again in 1981/82—but to a lesser degree. With consumer inventories down, soybean oil should be a little easier to move in 1981/82. Also, Brazil's carryover of both beans and oil was lower last fall than the previous year as exports from the 1981 crop moved earlier than those from the 1980 harvest. The increase in foreign production (oil equivalent) will be less in 1981/82 than in the preceding year.

Nevertheless, the steady, long-term pressure of large fats and oils supplies overhanging the world market has limited the world's soybean crush in the past 2 or 3 years, forcing the variation in world soybean supplies and crush to be absorbed by the meal component.

A Look at How We Got There

In 1979/80, there was a huge expansion in world oilseed production which was heavily concentrated in soybeans, with about two-thirds of the soybean increase coming in the United States. Because soybean production in South America was also up sharply in the spring of 1980, the impact of the large 1979/80 crops was spread over the entire year and into 1980/81. Prices dropped and stocks rose sharply.

But 1980/81 saw almost an exact reversal. World oilseed production fell 8 percent, with the 21-percent drop in the U.S. soybean crop almost accounting for the total fall in world oilseed production. In the fall of 1980, the market was looking at the sharp drop in U.S. oilseed production, particularly soybeans, and prices were increasing sharply.

The market overreacted. The 1980/81 crop looked small only in comparison with the very large 1979/80 crop. In fact, the 1980/81 production was only a little below trend. On top of this, South America harested another large soybean crop last spring.

In addition, several factors that depressed demand came increasingly into play. Economies were weak around the world. Livestock feeding profitability was under pressure. Interest rates were up. And, the U.S. dollar appreciated for the major purchasers of soybeans.

In the European Community, the stronger dollar had a particularly depressing effect because it was reflected fully to final purchasers of soybeans and products, whereas grain prices were held steady by the operation of the EC's Common Agricultural Policy.

For 1981/82, we are looking at another reversal. World oilseeds production has recovered. Again, the fluctuation is largely in soybeans, and largely in the United States.

In a sense, the 1981/82 world crop is not large. It is only slightly above trend for meal and right on trend for oil. But carryover stocks are again high, economies continue to be weak, and the livestock base is weak.

Mr. Mackie is Director, Oilseeds and Products Division, FAS.

On the positive side for the United States, the value of the dollar may not increase again and interest rates may come down some. And 1981/82 production is still uncertain, with planting of the South American soybean crop beginning only in late 1981.

World soybean consumption is expected to be up, but primarily because of the pressure of supply, not stronger demand.

A Closer Look
At the Soybean Complex

Although 1980/81 world soybean production fell 13 percent, world supplies dropped only 4 percent and were still 15 percent greater than those of 1978/79. There was a relative shift in supplies from the United States to Brazil and Argentina.

The sharp 1979/80 increase in supplies did not come all at once with the harvesting of the U.S. crop, but as a flow with the South American crop harvested in the spring of 1980. Similarly, the full market impact of the larger South American crop of 1980 was not felt until 1980/81. Brazilian marketings were delayed, and were, to some extent, bunched with the even larger 1981 South American crop—which moved rapidly into world export channels.

Another significant increase in South American soybean supplies is unlikely in 1981/82, with all of the increase this year coming in the United States.

Consumption

Meal demand was very strong last year despite higher prices and the stronger dollar, but demand was declining throughout 1980/81. Consumption was down in the traditional markets of the United States, the EC, and Japan, but up in the USSR, Brazil, and Mexico. Overall, 1980/81 was the first year in a long time not to show an increase in soybean meal consumption.

An increase in meal consumption in 1981/82 is expected in traditional as well as new markets. The expansion at first will be primarily in higher feeding rates, but will be increasingly due to advances in the livestock base. Consumption in Eastern Europe is open to question because of the financial problems in Poland.

Soybean oil consumption continued to advance in 1980/81 as beans were crushed in response to high meal prices. In 1981/82, consumption will increase again as beans are crushed in reaction to the pressure of bean supplies.

Crushings

Regarding the world's soybean trade and crush, Brazil has become a large soybean importer in recent years to supply its excess crushing capacity. Brazil imported more than a million metric tons in 1980/81.

The world's soybean crush was down slightly in 1980/81, with global soybean trade slowing as the crush shifted from the United States and the European Community to Brazil. This shift in crushings was facilitated by Brazilian policies that favor the domestic crushing industry and the export of products rather than beans.

Trade

With the expected stable South American supplies in 1981/82, the gain in product consumption will be met by an increased crush in countries other than Brazil. As a result, world soybean trade will rise, with the increase in exports coming from the United States. On the import side, purchases by China and Mexico will be down because of larger domestic oilseed crops in those countries.

Gains Seen for Oilseeds

(In million metric tons)

Item	1980/81[1]	1981/82[2]
World Oilseeds		
Production[3]	160.6	175.5
United States[4]	56.0	67.1
Foreign[3]	104.7	108.4
World Soybeans		
Production	81.3	90.7
United States	48.8	57.3
Foreign	32.5	33.4
Exports[5]	24.4	27.5
United States	19.7	22.9
Brazil[6]	.8	.5
Argentina	3.0	3.1
World Soybean Meal		
Production (meal equivalent[7])	85.9	94.3
United States	39.3	46.4
Foreign	46.6	47.9
Exports[5]	15.9	15.6
United States	6.3	6.6
Brazil	8.6	7.8
World Soybean Oil		
Production (oil equivalent[8])	56.9	59.4
United States	14.3	16.1
Foreign	42.6	43.3
Exports[5]	2.9	3.1
Brazil	1.2	.9
United States	.7	1.0
EC[6]	.3	.4
Spain	.4	.5

[1]FAS estimates at mid-October 1981. [2]Forecast. [3]Soybeans, cottonseed, peanuts, sunflowerseed, rapeseed, sesameseed, safflowerseed, flaxseed, castorbeans, copra, and palm kernel. [4]Soybeans, cottonseed, peanuts, sunflowerseed, safflowerseed, and flaxseed. [5]Net of EC trade. [6]Net. [7]44-percent protein equivalent of oilseeds plus fish meal. [8]Fat content of oilseeds plus marine oils and animal fats.

Soybean meal exports expanded in 1980/81, marked by a shift in origin from the United States to Brazil resulting largely from the large South American crop and Brazilian export policies. It also reflected the difficulty of marketing soybean oil in Europe, with one factor being a large EC rapeseed crop.

EC meal imports rose in 1980/81, partially offsetting the decline in bean imports, and the USSR emerged as a major meal market.

Some reversal of the shift in soybean trade is seen for 1981/82. The world meal trade is expected to decline slightly, with a shift in origin from Brazil to the United States. Again, the level of East European imports is subject to question because of the problems in Poland.

Soybean oil trade was fairly flat in 1980/81 due to the pressure of competing oil sources. World oil importers are primarily less developed countries. These countries have also been affected by many of the negative factors affecting demand for beans and meal in the more developed countries.

As with meal, oil exports shifted from the United States—and the European Community—to Brazil in 1980/81. On the import side, India tightened its import policy for edible oils and took increasing amounts of palm oil. The decline in imports in the Middle East reflected competition from palm oil and the problems in Iran. The fall-off in Latin American imports of soybean oil in 1980/81 was more apparent than real as the 1979/80 figure was inflated by unusual imports by Brazil. As with meal, the USSR is emerging as a major market for fats and oils.

There is a steady long-term pressure of world fats and oils supplies hanging over the market. This pressure is coming not only from tree crop oils—palm and coconut—but from increasing production of oilseeds with a high oil content, particularly rapeseed and sunflowerseed. Any world oversupply of vegetable oils tends to back up as stocks of soybean oil and ultimately as soybeans—primarily in the United States.

World potential soybean oil production exceeded actual production in 1979/80, resulting in the buildup in soybean stocks. This situation is expected to recur again in 1981/82, although to a lesser extent.

The fact that the world's oil oversupplies are carried by soybean oil is also reflected in U.S. export data. Although U.S. soybean oil exports were down 39 percent in 1980/81, total U.S. vegetable oil exports fell only 13 percent. Exports of cottonseed oil, sunflowerseed oil, and even corn oil and peanut oil moved very well. Collectively, these were up 47 percent.

In the soybean oil sector, most of the U.S. export decline was due to a sharp fall in shipments to India whose market was taken over by Brazil. U.S. exports to Western Hemisphere markets, in particular, did quite well.

A brief look at some other major U.S. oilseed exports:

- Sunflowerseed—Exports may drop in 1981/82, reflecting increased domestic crushing, but sunflowerseed oil exports were moving very well at the start of the season.

- Cottonseed—More than half of the U.S. cottonseed oil production is exported, and these exports are forecast to gain more than 10 percent in 1981/82. Venezuela and Egypt are the major traditional markets for U.S. cottonseed oil, but export markets are becoming increasingly diversified.

- Peanuts—U.S. production in 1980 recovered from 1979's disaster crop. Exports in 1980/81 were cut by more than half from the 1979/80 level. These exports should increase in 1981/82, but not to the levels of 2 years earlier.

The U.S. peanut shortage and high prices brought new suppliers into the market and it will take several years for the U.S. industry to regain its position in the world peanut market. ■

Fruits and Vegetables: Mixed Prospects for Exports

By Gilbert E. Sindelar

The Medfly reappeared in the summer of 1981 and markedly changed the tempo of fruit and vegetable exports from California. The scramble to eradicate the fly and the fear of its spread caused serious reactions in U.S. markets abroad. The Japanese quickly asked USDA to withhold phytosanitary certificates on fruits and fruit-type vegetable shipments, which led to a virtual standstill in exports to that country. Lemon, strawberry, and melon exports were immediately affected.

After an initial impasse, USDA and the Japanese came to an understanding in September providing for fumigation and/or cold treatment for certain fruits, including lemons, oranges, and grapefruit. But the lack of fumigation chambers slowed shipments, and some U.S. labor groups refused to handle fruit fumigated with EDB. Though the labor problem has been partly resolved here, similar difficulties have arisen in unloadings in Japan. Fruit is now starting to move into Japan, but the situation remains delicate and delays are common.

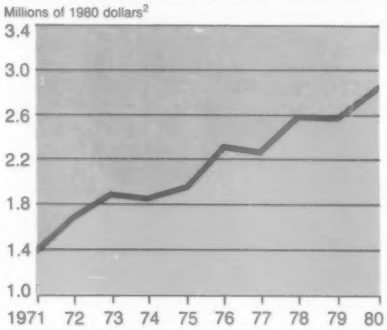
Japan is a critical market for U.S. exports of grapefruit, lemons, and oranges. In recent years, fresh produce sales to the Japanese have ranged from $170 to $190 million (f.a.s.). Taiwan, Korea, Mexico, Ecuador, and some Caribbean nations also reacted to the Medfly problem to varying degrees. Though small, these markets have good growth potential, especially Taiwan and Korea.

Long-Term Trade Outlook Favorable

The big question now is where will U.S. exports go from here. Resuming normal trade will not be an easy task after the uninformed, scare stories that were rampant during the Medfly crisis. Assuming the eradication problem is resolved, what is the long term outlook?

U.S. produce exports have a tremendous future. Not too many years ago they depended solely on Canada and Western Europe, with Japan entering the picture in the 1970's. But today U.S. exports are fanning out in every direction.

U.S. Exports of Fruits[1], Nuts and Vegetables Double During 1971-80



[1]Fresh and processed.

[2]Adjusted for inflation, values are expressed in 1980 dollars using the U.S. Producer Price Index.

Taiwan, Hong Kong, Singapore, Indonesia, Malaysia, and South Korea are all showing positive growth as markets. U.S. produce exports are also strengthening in Latin America. Venezuela and Colombia have already shown very satisfying growth. Some Caribbean and Central American nations are also increasing imports, but more slowly perhaps because of economic and political strife.

U.S. fruit and vegetable exports are doing very well in the Middle East, particularly in Saudi Arabia. Five or six years ago, U.S. sales to the Saudis were virtually nil, but now they are $80 million annually. Saudi Arabia is a growing and key maket for apples and, to a lesser extent, grapes, pears, fruit cocktail, and raisins. It is a tremendous market for fruit juices, including tomato juice.

What Is the Export Outlook for 1982?

On the negative side, there are two disturbing factors. The first is the aftermath of the Medfly incident. The second is the appreciation of the dollar, especially in Western Europe. Both factors may hurt U.S. exports this season.

But there are also opportunities for growth. Cold weather during the bloom period cut the European apple crop quite short and apple production in Canada is a fourth lower than last year. Canada's pear crop is also smaller. A short onion crop in Japan presents still another opportunity, and Japanese buyers have been visiting the Pacific Northwest and other U.S. producing areas.

Smaller packs and higher prices for some dried and canned fruits are likely. Conversely, larger pistachio and walnut crops should result in a higher volume of exports. An encouraging note is that export prices for walnuts opened at the same level as last year. Despite the dollar's appreciation, walnut sales to Western Europe have been as brisk as last season. But sales of almonds, normally the leading export earner, are lagging behind.

Citrus will be a key element in determining overall export earnings. The slowdown in lemon sales to Japan has hurt. The grapefruit crop is sizable, but European demand has been increasing and growers hope they can at least sustain last year's volume. This will depend, of course, on unit prices.

Western European demand for frozen berries is also good, especially blueberries and some cane berries. In the past fiscal year, Europeans bought four times as many frozen blueberries and twice as many cane berries than the year before. The shortage of harvest labor and a slowdown in Polish shipments played a role in this increased demand.

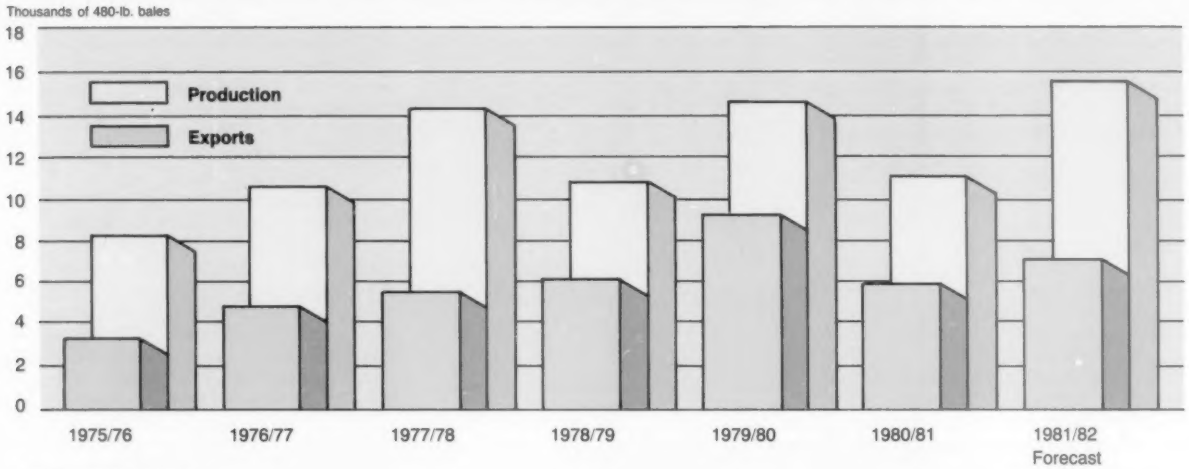
In late October, Venezuela temporarily reduced tariffs until the end of 1981, which should give a boost to U.S. exports. The duty for fresh apples, pears, and dried prunes was reduced to 1 percent plus 1 bolivar per kilogram. The duties for dried dates, figs, raisins, walnuts, and almonds fell to 1 percent ad valorem.

More often than not, there are ups and downs each year in exports of individual fruits and vegetables. But since the early 1970's, collective gains have offset losses by a sizable margin. Last season export earnings reached a new high of $3.2 billion. Despite recent troubles, we are hopeful that this year's sales will edge past that market. ■

Mr. Sindelar is Director of Horticultural and Tropical Products Division, FAS.

Cotton: World Trade Rising With U.S. Share Gaining

Cotton Production and Exports Expected to Recover in 1981/82[1]



[1]Season beginning Aug. 1.

By Glenn R. Samson

World cotton trade is expected to improve during the 1981/82 marketing year with exports projected at 20.4 million bales (480 lb net), compared with 19.9 million bales in 1980/81. U.S. exports are expected to advance about one-fifth, giving the United States about a one-third share of global trade.

Major reasons for the improved trade outlook include:

- Prospects for a large world cotton supply, with record or near-record crops anticipated in many of the major exporting countries, as well as China;
- Attractive world prices, with U.S. varieties at their most competitive level in 2 years; and
- Historically low carry-in stocks, particularly in the major importing nations.

World cotton production is projected to reach 70.9 million bales in 1981/82 (Aug.-July), an increase of 8 percent above the 1980/81 level. Major producers showing significant gains are the United States (41 percent), China (7 percent), India (4 percent), and Pakistan (10 percent). The United States alone accounts for about 80 percent of the estimated increase in world output.

Despite a record level in world consumption in 1980/81, almost every major consuming country found its textile sector in a depressed state, with last year's gain due solely to increased consumption in China and the Soviet Union.

Despite prospects for record levels in world cotton production and supplies in 1981/82, slow textile activity by many major cotton users could hold back consumption levels.

Projected carryover stocks, on August 1, 1982, are expected to be heavy. These stocks are forecast to reach 26.1 million bales, the highest level in 7 years. The principal increase is anticipated in U.S. stocks, which are estimated at 5.4 million bales, the largest since 1974/75. This reflects the big 1981 U.S. crop, estimated at 15.6 million bales. Foreign stocks are projected to rise about 1 million bales to 20.7 million, the largest since 1975/76.

U.S. cotton exports are expected to reach 7 million bales during the 1981/82 season, nearly 20 percent above the preceding year's level of 5.9 million bales. A large portion of the increase can be attributed to the fact that U.S. cotton is competitively priced in the world market. It is anticipated that the U.S. share of world cotton trade will increase to 34 percent during the 1981/82 season, a gain of approximately 4 percent over that of the 1980/81 season. The leading markets are expected to be China, South Korea, Japan, and Taiwan.

After only 14 weeks into the season, the accumulated commitments for U.S. upland cotton during the 1981/82 marketing year were 4,321,100 running bales—65 percent

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of expected exports for the entire marketing year. The larger sales commitments were to South Korea, where the U.S. market share of estimated imports this season is placed at 95 percent; China (U.S. share: 55 percent); Japan (U.S. share: 38 percent); and Taiwan (U.S. share: 59 percent).

Major foreign textile-producing countries are expected to increase cotton imports this season. The Asian textile industry should expand slightly, despite uncertainties in the Multi-Fiber Arrangement (MFA) negotiations and the world economy. China, even with its record crop, will probably import 2.9 million bales of cotton in order to meet expanding domestic demand.

It is anticipated that favorable prices will encourage Japanese cotton imports to exceed the 1980/81 level of 3.2 million bales. During June-October 1981, Japan's stocks of cotton goods were reduced and prices strengthened.

In South Korea, imports are expected to approach a record 1.6 million bales, 5 percent above the 1980/81 level. Although the export-oriented textile industry in Korea has numerous concerns, the government has placed increasing emphasis on its plans for expansion and modernization. The government has focused efforts on expanding textile exports to nonquota countries and upgrading the quality and design of its products in other markets.

Cotton imports by Western Europe should increase slightly to 7.8 million bales from the depressed level of 7.6 million bales in 1980/81. Structural adjustments—such as the Italian trisector approach to textile industrial redevelopment between labor, management, and government—are being made by some textile manufacturers with assistance from their governments. In turn, the European Community is taking a hard line in the MFA negotiations in an effort to restrain textile imports into the region.

U.S. Cotton Trade at a Glance

With U.S. cotton more competitively priced, U.S. exports are expected to rebound in 1981/82 by rising about one-fifth above the 1980/81 level. The leading markets this season are again expected to be China, South Korea, Japan, and Taiwan.

Major U.S. Markets, 1980/81

China	$565 mil
South Korea	$490 mil
Japan	$477 mil
Taiwan	$116 mil
Canada	$100 mil
Indonesia	$ 98 mil
Others	$514 mil
Total	**$2,360 mil**

Foreign exports are estimated at 13.4 million bales, 600,000 less than in 1980/81. Of the major exporters, only Argentina, Brazil, Australia, Israel, and Syria are expected to show increases.

Pakistan has a larger crop and hopes to expand exports of cotton, but its textile industry is facing serious cost-price problems. Pakistan's cotton exports may be down from last year. Turkish exports are also expected to decline despite 25- to 50-percent reductions in the export deposit rate, which went into effect during late October.

Egypt's exports are expected to be lower because of a smaller crop and increased consumption. Generally, smaller crops in Central America and Mexico will hold down exports, and no change is seen in Soviet exports. ■

U.S. Tobacco: Export Gains Seen

The outlook for U.S. tobacco trade in 1982 is for a gain in exports over those of 1981. The size and improved quality of the 1981 crops of flue-cured and burley could boost leaf exports to around 270,000 metric tons. Export prices could be up 8 to 10 percent, pushing the export value to around $1.6 billion.

However, the strength of the dollar, stagnating consumption in Western Europe and Japan, and the high cost of holding inventories will continue to affect demand for U.S. leaf in these traditional markets. At the same time, competition from lower cost producers, such as Brazil and Zimbabwe, will continue to chip away at U.S. market shares.

Product exports—largely cigarettes—will continue to gain. Export values in 1982 could top $1.5 billion.

U.S. imports of leaf and scrap will edge upward as domestic leaf prices rise in line with the price-support formula. Imports in 1982 could be around 180,000 tons. Imported leaf and leaf products are rising in price at a rate of about 18 percent. The total value of imports in 1982 could be nearly $700 million.

In sum, tobacco's net contribution to the U.S. balance of trade in 1982 may be about $2.4 billion.

The world outlook for tobacco in 1982 indicates continued steady growth in consumption, a moderate expansion in trade, and a further reduction in stocks held by manufacturers in major consuming countries.

During the past 10 years world leaf production increased at an average rate of a little over 1 percent, consumption grew by nearly 2 percent, and leaf exports expanded an average of about 3 percent per year.—*By Kenneth E. Howland, Deputy Director for Marketing; Tobacco, Cotton, and Seeds Division, FAS.* ■

Poultry and Eggs: Sharp Advances Expected For U.S. Exports

By James D. Gruff

The United States will again be the world's leading exporter of poultry meat in 1982, possibly exporting between 440,000 and 470,000 metric tons—an increase of roughly 10 to 15 percent above 1981's level.

The major U.S. markets are expected to be the Middle East, Far East, and the Caribbean. However, as in the past, U.S. poultry meat exports will probably be more widely distributed than those of its major competitors. U.S. domestic production and prices—especially of broilers—will be important in determining the level of U.S. poultry meat exports this year. A possibly weaker dollar overseas may provide the United States with an advantage over some of its major competitors in 1982.

Worldwide production of poultry meat in 1982 is forecast to increase about 2 percent over 1981's output, but with domestic consumption in many of the leading exporting countries likely to fall short of production, export availabilities are expected to rise. In addition, demand in the major importing countries will continue to grow, so that there should be opportunities for unprecedented levels of trade in poultry meat, especially chicken. Increasing trade in eggs, especially table eggs, is also expected.

The increased demand this year for poultry meat is generally expected to be in all of the importing countries. Again, the major markets for poultry meat imports will be the Middle East, the Far East, the Caribbean, the Soviet Union, and the European Community (EC). The first three areas are major U.S. outlets.

Middle East: Saudi Arabia has been—and will remain—the largest importer of poultry meat in the region. Saudi Arabian imports of poultry meat, which will likely exceed 250,000 tons, probably will be supplied by at least 30 countries, with France and Brazil getting the biggest shares. However, there may be opportunities for sizable increases in U.S. shipments, due to rising Saudi demand and possibly lower supplies from other major exporters.

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The pattern of imports by Iraq—the area's second biggest importer—will, for the most part, be determined by the awarding of the Iraqi tender that calls for 130,000 tons of chicken to be delivered in 1982. The major suppliers are expected to be Brazil, France, and the United States, or possibly only one or two of these.

Egypt will be the third largest importer of poultry meat in the Middle East in 1982, probably bringing in more than 100,000 tons. Although the United States is expected to continue as the major supplier, the Egyptian market is likely to become much more competitive as Brazil and several EC countries strive for larger market shares.

Far East: This region will continue to be one of the leading importers of poultry meat, and Japan will probably be the largest purchaser. Increasing consumer preference for less expensive imported chicken and the likelihood of limited production increases could mean that Japan will import more than 100,000 tons of poultry meat this year. The United States will be the dominant supplier of Japan again in 1982, and the other major suppliers probably will be China and Thailand.

Hong Kong will be another large importer of poultry meat in the Far East in 1982. Increasing consumer demand together with a leveling off of poultry production may result in imports of 75,000 to 85,000 tons. The United States and China should account for all but a relatively small percentage of the Hong Kong market.

Other Major Markets: The Caribbean area will remain a substantial importer of poultry meat in 1982, probably importing about 80,000 to 90,000 tons, with the United States again being the dominant supplier. The largest U.S. markets there should be Jamaica and the Leeward-Windward Islands.

Venezuela is expected to import about 20,000 to 25,000 tons of poultry meat this year. Because of Venezuelan familiarity with U.S. poultry products, as well as the proximity of the market, the United States should continue to face almost no competition in Venezuela.

An expected significant increase in Mexican broiler production may limit poultry meat imports by Mexico this year to about 15,000 to 17,000 tons, almost all of which should come from the United States.

U.S. To Continue as World's Largest Turkey Meat Exporter

In 1982, as in recent years, there probably will be only four countries that export significant quantities of turkey meat. The United States is expected to be the leader, followed by France, the Netherlands, and Israel. However, almost all of the French and Dutch exports will go to other EC countries.

U.S. exports will be distributed among numerous countries, although the United States may have problems this year in its two major markets, Egypt and West Germany. U.S. turkey exports to these two countries, as of October 1, 1981, were below the year-earlier levels.

In addition, the United Kingdom's Newcastle ban on poultry imports, which went into effect on September 1, raises the possibility that France and the Netherlands will increase turkey shipments to established U.S. markets, especially West Germany and Egypt. Israel will probably export 10,000 to 12,000 tons of turkey in 1982, a large part of which will go to the European Community.

World Trade in Table Eggs To Continue Strong

The recent boom in the world trade in table eggs is likely to continue in 1982. Excluding intra-EC trade, the two leading exporters will once again be the United States and the Netherlands.

The major U.S. markets probably will be Iraq, Hong Kong, the United Arab Emirates, Egypt, and Saudi Arabia. Dutch exporters receive an EC export subsidy which is currently about 10 cents per dozen eggs. Their major non-EC markets will likely be Iran and Algeria.

For U.S. egg products, prospects appear favorable for continuing increases in shipments to Japan in 1982. The Japanese layer flock and egg production are not expected to increase in 1982, and the United States may continue to expand its share of the Japanese market. ■

ANUGA 1981

To an outsider, "ANUGA" probably sounds like a deadly tropical disease or, worse yet, a new government program. But to food exporters, "ANUGA" spells "sales."

ANUGA—the world's largest food show—is held every 2 years in October in Cologne, West Germany. What the Oktoberfest is to beer, ANUGA is to food. It may be a dieter's nightmare, but it's a food exporter's dream. Food companies from the United States and dozens of other countries gather at the fair to market every imaginable type of food. The offerings range all the way from cheeses produced for centuries to health foods that just reached the market last year.

Over 4,400 exhibitors from 80 countries took part in the 1981 food show. Buyers came from every quarter of the globe to see the latest products sold by food exporters. The exporters, in turn, presented impressive displays of international food and drink covering an area equal to 23 football fields. During the course of the 6-day show, nearly 145,000 people toured the food halls to sample everything from Ceylonese tea to American almonds.

The fair was a recordbreaker both in terms of the number of exhibitors and the number of visitors. And its importance to international food marketing cannot be overestimated. In opening the fair, Frans Andriessen, a member of the Commission of European Communities, commented, "The 1981 ANUGA is the gateway to a market of intercontinental proportions."

While the atmosphere was festive, the exhibitors were at ANUGA for the more serious business of seeking sales and contacts in the increasingly competitive world of international food marketing. The U.S. exhibitors were given a helping hand by USDA's Foreign Agricultural Service, which offered technical advice and assistance on marketing abroad and provided exhibit space, and communications and conference facilities for fair participants.

The total U.S. exhibit area was a third larger than at the last ANUGA show, and 100 companies were represented. In addition to the area handled by FAS, the U.S. sections also included exhibits sponsored by the National Marine Fisheries Service (NMFS) of the Department of Commerce and the Ozarks Regional Commission.

All told, the American exhibits covered over a thousand square meters. The high level of interest in the fair by U.S. exporters was seen in the fact that an overflow exhibit area had to be arranged just before the fair to accommodate 12 firms that signed on late for the show.

According to Christopher Goldthwait, U.S. agricultural attache in Bonn, this year's U.S. exhibit was not only larger than in recent years, but also reflected greater efforts to give the American section a more open and effective design that would increase traffic and build buyer interest.

Efforts by FAS at the fair received an extra boost from state departments of agriculture and both regional and product-oriented trade associations. The largest state exhibit was sponsored by Illinois, and its State director of agriculture was in Cologne for the ANUGA opening. Other states with booths were Oregon, Michigan, Georgia, and South Carolina.

Several regional trade associations also sent representatives to ANUGA to promote products from member states. Ben Miles, the marketing coordinator for the state of New Jersey, was at ANUGA on behalf of EUSAFEC—Eastern United States Agricultural and Food Export Council. Raymond Lozano and Sidney Miller were also in Cologne to publicize the activities of their associations—the Southern United States Trade Association (SUSTA) and the National Association of State Departments of Agriculture (NASDA). And one of the more attention-getting U.S. exhibits was sponsored by MASSPORT—the Massachusetts Port Authority—which brought along a contingent of live Maine lobsters in an effort to publicize the virtues of New England seafood.

As in earlier European shows, the items displayed by U.S. companies that generated the most interest were snack foods like popcorn and peanuts, health and dietetic foods, soft drinks, citrus products, and meats. But USDA and NMFS exhibitors offered an impressive variety of other products as well, covering the spectrum from frozen pizza to military emergency rations.

A number of products new to the export market were also on display, including wheat nuts, American pecans, and even canned wine, which is only now appearing in the domestic U.S. market.

The international food business can produce some interesting twists. The prize for the most courageous new offering went to the U.S. exporter who felt confident enough in his American sauerkraut and pickles to venture selling them in Germany. He apparently had better luck than a German would have selling potatoes in Idaho.

In assessing just how well U.S. exporters did at ANUGA, Dale Douglas, the agricultural counselor at the U.S. Embassy in Bonn, noted that nearly all the American exhibitors were pleased with both their onsite sales and the new contacts they made during the show.

A sampling of nine participants of the 60 that worked with USDA indicated onsite sales exceeding $2.8 million. These same nine exhibitors were projecting additional followup sales of over $5 million. Naturally, the total U.S. sales figures would be considerably higher.

Overall, sales must have been gratifying because the level of enthusiasm among the American exhibitors was quite high by the end of the show. And virtually every U.S. company at the fair plans to be back in Cologne again for the next ANUGA in 1983. ■

Country Briefs

Canada

Government Initiates Purchase Programs for Surplus Grapes

Canada's Agricultural Products Board has been instructed to purchase up to 6.0 million pounds of surplus grapes that Ontario growers are having trouble selling. The Government will purchase red French hybrid grapes of the de Chaunac variety, have them processed into wine and brandy at Ontario wineries, and tender the products for sale when market conditions improve. The purchase program was deemed necessary following a decline in demand for grapes for red wines, and the sale last summer by the Ontario Liquor Control Board of 200,000 gallons of lower priced Italian wine.

Although the Canadian Government is expected to spend more than Can$1.0 million buying up the surplus grapes, it expects to recover much of the cost when the wines are eventually sold at market prices.

A spokesman for the Ontario Grape Growers' Marketing Board claimed that while red grapes are in surplus, growers cannot meet the demand for grapes for white wines and a shift in varietal plantings is expected.

Guatemala

Edible Oil Needs Outstrip Domestic Production

Guatemala's ability to meet its cooking oil needs is now facing a crisis as cottonseed production dropped from a record 264,000 metric tons in 1978 to an estimated 179,000 metric tons in 1981/82. The reduction has been caused by a drop of one-third in the area planted to cotton. For lack of price incentives, there is no production in Guatemala of other oil-bearing seeds that can presently fill the oil gap left by the unavailability of cottonseed.

Most of the 1980/81 shortfall was made up by imports by U.S. soybean oil as indicated by U.S. exports totaling nearly 5,000 tons during October 1980-August 1981. An even greater shortfall of 11,000 tons is anticipated in 1981/82 and will likely be met by imports of U.S. soybean oil if shortages in the local market are to be avoided.

The government hopes to encourage soybean production by establishing a small soybean processing plant, but so far has not been able to raise enough interest among farmers. Edible tallow imports are prohibited by law. Inedible tallow imports are allowed exclusively by law for use by the soap industry. Inedible tallow for use in animal feeds is not allowed.

Haiti

Greater Feed Availabilities Prompts Surge in Broiler and Dairy Output

The introduction of ready-mixed feed rations via a new feed mill in Port-Au-Prince, plus greater imports of ready-mixed feeds from the United States and the Dominican Republic, are the primary reasons for the swift growth in Haiti's broiler production to an estimated 175,000 birds slaughtered each month. That compares with virtually zero production as recently as 15 to 18 months ago. Indications are that broiler production in 1982 will average 200,000-225,000 birds a month.

The availability of reliable supplies of ready-mixed feed rations is also prompting an uptrend in milk production. While there are only a handful of bona fide dairy farms in Haiti at the present time, this number is expected to rise dramatically in 1982 with the advent of dependable feed supplies.

The demand for fresh cow's milk in the Port-Au-Prince area is conservatively estimated at 125,000 liters daily. Less than 1 percent of this demand was filled by domestic production in 1981.

Portugal

Fig Production Down Sharply

The decreasing number of bearing trees and this past season's serious drought are expected to reduce Portugal's 1981 fig crop by about 44 percent. This sharp drop is boosting packer and export prices. In view of the significant reduction in fig supplies, both domestic consumption and exports are expected to fall sharply. The bulk of Portugal's fig crop is traditionally exported in the form of fig paste. The United States is the principal customer. U.S. imports of fig paste totaled $11.0 million in fiscal 1980, of which $1.6 million came from Portugal.

Indications are that Portugal's fig production potential will continue to diminish in the forseeable future as more and more land in the fig-growing areas of the Algarve is diverted to the construction of tourist facilities.

Saudi Arabia

Poultry Imports Continue To Rise

Saudi Arabia's imports of frozen poultry were expected to total 240,000 metric tons in 1981, more than 20 times the level a decade earlier, as demand for chicken increased along with incomes and new outlets were established to sell cooked poultry products. A chain of Kentucky Fried Chicken shops is now flourishing in Saudi Arabia and modern supermarkets have both frozen chickens and cooked chickens available for sale.

The boom in demand for poultry meat has not been supplied entirely by imports. Local output increased from about 50,000 tons in 1980 to an estimated 80,000 tons in 1981. The opening of new broiler enterprises should contribute to an increase of 50,000 tons in output this year. A very large complex for broilers during the cooler months (October-March) has been built north of Jeddah.

Saudi Arabia imports poultry meat from over 30 countries and competition for the Saudi market is keen. France was the top supplier in 1981—providing an estimated 85,000 tons. Brazil was next with approximately 45,000 tons.

U.S. exports of poultry meat to the Saudi market during fiscal 1981 totaled about 16,000 tons, about the same as in 1980, but more than double the 1979 volume.

Taiwan

Little Gain Foreseen in Cotton Imports in 1981/82

Taiwan's cotton spinners are not optimistic about the 1981/82 outlook for their textile exports, although the overall totals are expected to reach or slightly exceed the 1980/81 totals. As a result, the price relationship of cotton to polyesters, energy prices, improvement in export market economies, and the perception of the size of the 1982/83 U.S. crop will be critical to the level of cotton Taiwan imports in 1981/82. The current relatively large cotton stocks and the wait-and-see buying position of spinners who anticipate further declines in cotton prices indicate imports of cotton in the first half of 1981/82 may be relatively smaller than in the second half.

Taiwanese cotton use in 1981/82 is estimated at 220,000 metric tons (1.0 million bales), a 10-percent increase over 1980/81. Although preliminary data indicate 1980/81 textile exports were larger than the previous year, cotton use appears to have declined owing to the unfavorable cotton prices versus polyester during most of the year. Cotton stocks at the end of the 1980/81 marketing year were estimated at 122,000 tons (560,000 bales), a six-month supply.

Cotton was imported from more than 40 countries in 1980/81. Higher prices for U.S. cotton, compared with other origins, cut sharply into the U.S. market share that dropped to an estimated 46 percent in 1980/81. Imports from India and Turkey rose sharply in 1980/81, while Iran, formerly an important supplier, was insignificant.

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